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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to)
Investigate Distributed Generation)
in Hawaii.)
_____)

DOCKET NO. 03-0371

ORDER NO. 20582

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed Oct. 21, 2003
At 2:00 o'clock P.M.

Karen Higashi.
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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Investigate Distributed Generation)	
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ORDER

I.

Purpose of Investigation

The purpose of this investigation is to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution systems and market. Distributed generation involves the use of small scale electric generating technologies installed at, or in close proximity to, the end-user's location. The term "distributed generation" has also been referred to as "distributed energy resources" ("DER") or "distributed resources." DER appears to be the broadest of all three terms, encompassing distributed generation, as well as energy storage, and targeted end-use and demand side management technologies. It is anticipated that the use of distributed generation and DER will grow substantially in the coming years throughout the nation including Hawaii.

The focus of this investigative docket is, however, on distributed generation. The objective is to develop policies and a framework for distributed generation projects deployed in

Hawaii. Other DER technologies, may be addressed in this docket to the extent that they raise the same interconnection and policy issues that the distributed generation technologies raise. The policies and framework developed in this docket will form the basis of rules and regulations deemed necessary to govern participation in Hawaii's electricity market through distributed generation.

Through this docket, the commission intends to address the generic distributed generation issues affecting the electric industry in Hawaii. These issues include, but are not limited to:

- (1) addressing interconnection matters;
- (2) determining who should own and operate distributed generation projects;
- (3) identifying what impacts, if any, distributed generation will have on Hawaii's electric distribution systems and market;
- (4) defining the role of regulated electric utility distribution companies ("UDCs") and the commission in the deployment of distributed generation in Hawaii;
- (5) identifying the rate design and cost allocation issues associated with the deployment of distributed generation facilities; and
- (6) developing the necessary revisions to the integrated resource planning process, if necessary.¹

¹We also intend to address the issues raised in the informal complaint filed by Pacific Machinery, Inc., Johnson Controls, Inc. and Noresco, Inc. against HECO, MECO and HELCO on July 2, 2003 (Informal Complaint No. IC-03-098).

Since the deployment of distributed generation may require interconnection to the UDC's distribution system, all UDC's in Hawaii shall be made parties to this proceeding.² The Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate") shall also be made a party to this proceeding.³

As we examine the various generic issues in this proceeding, the commission anticipates that other related matters may also be simultaneously addressed through other state or federal actions (i.e., legislation). Further, these issues may tangentially or indirectly be raised in future commission dockets or tariff filings.

Since it would be unreasonable to defer consideration of all future related filings with the commission that may be affected by this proceeding, the commission may consider these related matters on a case-by-case basis. To the extent that there is a public interest served in determining an outcome in these matters prior to the completion of this proceeding, we will do so. Such an outcome, however, may need to be interim in nature, pending our final disposition of this docket. In any case, this investigation is not intended to impede or delay the

²Our records indicate that the UDCs currently operating in Hawaii and under our purview are: Hawaiian Electric Company, Inc. ("HECO"), Maui Electric Company, Limited ("MECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Kauai Island Utility Cooperative ("KIUC").

³Pursuant to Hawaii Administrative Rules ("HAR") § 6-61-62, the Consumer Advocate is an ex officio party in all commission proceedings.

timely consideration of any related matters that may subsequently come before us.

II.

Investigative Authorities

Hawaii Revised Statutes ("HRS") §§ 269-7 and 269-15 and HAR § 6-61-71 authorize the commission to examine and institute proceedings on any matter relating to a utility's practices and services or otherwise affecting the relations and transactions between the utility and the public. Accordingly, pursuant to the above-mentioned authorities, the commission will, on its own motion, institute a proceeding to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution systems and market.⁴

Any individual, entity, or organization desiring to intervene as a party or to participate without intervention in this proceeding shall file a motion to intervene or participate without intervention not later than twenty (20) days of the filing of this order. Motions to intervene or participate without intervention must comply with all applicable rules of HAR

⁴For purposes of this docket, we will, pursuant to our investigative authorities, examine all facets of Hawaii's electric industry as it pertains to distributed generation. Similar to Docket No. 96-0493, our investigation will encompass not only the physically technological and legal (statutory and regulatory) structures and features of the State's electric industry, but all aspects and arrangements that affect the manner in which electricity services are planned, produced, acquired, transported, furnished, and sold in the State of Hawaii. We are interested in both the substance and the process in the deployment of distributed generation and the requisite roles and responsibilities of all players, including providers, consumers, regulators, and the society in general.

Chapter 6-61, Rules of Practice and Procedures Before the Public Utilities Commission.⁵ Subsequent to determining all parties and participants in this docket, the commission will issue a prehearing order establishing, among other things, the schedule of proceedings, issues, hearing date(s), and other procedures needed to govern the instant proceedings.

III.

Orders

THE COMMISSION ORDERS:

1. A proceeding is instituted to examine the potential benefits and impacts of distributed energy resources on Hawaii's electricity distribution system.


2. HECO, MECO, HELCO, KIUC and the Consumer Advocate shall be parties to this proceeding.

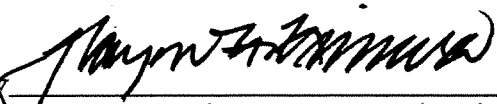
3. Within 20 days of this order, interested persons or entities shall file the motions to intervene or participate without intervention, pursuant to HAR Chapter 6-61.

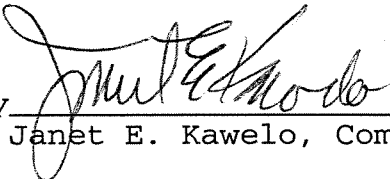
⁵To ensure a comprehensive examination of this matter, we invite all interested energy service providers and other business, environmental, cultural and community groups to participate in this docket as intervenors or participants so long as these persons or entities adhere to our administrative rules, specifically HAR Chapter 6-61 which governs intervention and participation in commission proceedings.

DONE at Honolulu, Hawaii this 21st day of October,
2003.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


for Kevin M. Katsura
Commission Counsel

Proceeding on Distributed Generation.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20582 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

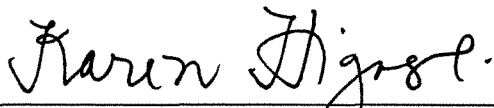
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DATED: October 21, 2003